LEADING EDGE MATERIALS CORP.

(formerly Flinders Resources Limited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JULY 31, 2016

This discussion and analysis of financial position and results of operation is prepared as at September 28, 2016 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended July 31, 2016 of Leading Edge Materials Corp. (*formerly Flinders Resources Limited*) ("Leading Edge" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information on this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact, addressing activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in Flinders' public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and the Company's ability to attract and train key personnel; changes in world metal markets and equity markets beyond the Company's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; changes in corporate goals and strategies; the Company's preliminary economic assessment is no longer current or valid and the Company has no plans to complete a new preliminary economic assessment, a pre-feasibility or feasibility study on the project, as a result there is an increased risk of technical and economic failure for the Woxna graphite project; successful completion of the Arrangement, unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; the Company does not maintain insurance against environmental risks; and management of the Company have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although the Company believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, the Company does not intend, or assume any obligation, to update these Forward-Looking Statements.

The Woxna graphite project has never defined a mineral reserve and the previous preliminary economic assessment on Woxna dated October 29, 2013, has been superseded by the Company's current technical report dated May 11, 2015. As the Woxna facility is not in production but remains on a production ready status, any future decision to recommence mining at Woxna will not be based on a preliminary economic assessment demonstrating the potential viability of mineral resources or feasibility study of mineral reserves demonstrating economic and technical viability. Under these circumstances, there is increased risk of technical and economic failure for the Woxna project, and the Company discloses additional risk factors relating thereto. The Company advises that it has not based its production

decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that production will begin as anticipated or at all or that anticipated production costs will be achieved. Failure to commence production would have a material adverse impact on the Company's ability to generate revenue and cash flow to fund operations. Failure to achieve any anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing or other relevant issues.

Company Overview

The Company was incorporated on October 27, 2010 under the *Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. On August 25, 2016 the Company completed the acquisition of Tasman Metals Ltd. ("Tasman") (see "Acquisition") and changed its name to Leading Edge Materials Corp. The Company's common shares trade on the TSXV as a Tier 1 mining issuer under the symbol "LEM" and, on September 2, 2016, commenced trading on the OTCQB under the symbol "LEMIF". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company is currently engaged in the operation of its 100% owned Woxna Graphite Mine located in central Sweden. During fiscal 2014 technical feasibility and commercial viability of the extraction of mineral resources at the Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. The Company is now considered to be in the production stage. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions improve. The Company is currently reviewing opportunities to produce higher specialty products such as high purity graphite for battery and other specialty end uses.

Acquisition

On May 10, 2016 the Company announced that it had entered into an agreement in principle with Tasman to complete a merger of the two companies. On June 20, 2016 the Company and Tasman entered into a definitive agreement (the "Arrangement Agreement"). On August 25, 2016 the Company completed the merger with Tasman whereby the Company acquired, through a statutory plan of arrangement (the "Arrangement"), all of the outstanding shares of Tasman (the "Tasman Shares") and the Company changed its name to Leading Edge Materials Corp. ("Leading Edge"). Under the terms of the Arrangement Agreement, Tasman shareholders received 0.5 of a common share of the Company for each Tasman Share. Holders of outstanding stock options, warrants and compensation options exercisable to acquire Tasman Shares were also entitled to receive, upon exercise of such securities, for the same aggregate consideration, 0.5 of a common share of the Company in lieu of each Tasman Share otherwise issuable.

On closing of the Arrangement, the Company issued an aggregate of 33,070,948 common shares of the Company to the former Tasman shareholders, representing approximately 41.3% of the 80,036,678 of the Company's common shares issued and outstanding as of the closing date of the Arrangement. The Company also issued 520,000 stock options, 147,953 compensation options and 2,467,716 warrants.

Prior to the closing of the Arrangement Nick DeMare was an officer and director of both Tasman and the Company. Mark Saxon was an officer and director of Tasman and a director of the Company, Michael Hudson and Robert Atkinson were directors of Tasman and the Company, and Mariana Bermudez was an officer of Tasman and the Company.

As of the date of this MD&A the directors and officers of the Company are as follows:

Mr. Blair Way	President, Chief Executive Officer ("CEO") and Director
Mr. Nick DeMare	Chief Financial Officer ("CFO") and Director
Mr. Michael Hudson	Non-Executive Chairman and Director
Mr. Mark Saxon	Director
Mr. Mikael Ranggard	Director
Ms. Mariana Bermudez	Corporate Secretary

The acquisition under the Arrangement combined the Company's and Tasman's key assets and technologies in the critical metals arena and brought together a management and board team with deep experience in the discovery, development and marketing of these materials. It is believed that the experience of the team in the rare earth element ("REE") and graphite sectors will provide insight into where best to position the Company to gain access to these emerging markets. Substantial overlap exists between REE and graphite customers, and both materials are considered "critical" by the European Commission under the DG Growth "Raw Materials Initiative".

The Company believes that with the current "once in a generation" transition to a low-carbon economy, a shift in the material requirements of energy generation is occurring and the need for new materials is accelerating. It is anticipated that the merged entity will provide a larger market presence and deliver operational efficiency through shared technological, logistical, administrative and marketing activities. The merger combines advanced assets to make a well-balanced and secure company, while strengthening the voice of the Company and allowing for greater access to research, capital markets and customers.

Tasman published a preliminary feasibility study ("PFS") for Tasman's Norra Kärr REE deposit in Sweden in 2015. This PFS confirmed that Norra Kärr has the capacity to be a long term producer of the most critical heavy REEs, plus other critical metals including zirconium and hafnium. Furthermore, Tasman recently completed test work on nepheline/feldspar by-product from Norra Kärr, which presents a potential opportunity to supply an industrial commodity to Europe's large paint, building product, ceramic and glass markets. See also "Norra Kärr Project".

Woxna Project

Mine and Processing Facility Location

The Woxna Project, which comprises four graphite deposits and a fully permitted 100,000 ton per annum feed processing plant is located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The Woxna Project's flagship property is the Kringelgruvan concession.

The traditional graphite market is deflated due to the downturn in the steel sector and commodities in general. This reduction in demand of traditional grades of graphite has created an opportunity for the Company to consider supplying high purity natural graphite to customers that traditionally buy synthetic graphite.

Flinders continues to work towards establishing a position as a supplier of choice in terms of price, supply security and quality to the European graphite market. The next phase of the production model being implemented is aimed at displacing the synthetic graphite market with a number of value adding projects.

Value Adding Projects

Spherical High Purity Graphite products for Lithium Batteries

Product from the Woxna graphite plant in Sweden was shipped to the Company's Chinese technology supplier for detailed bench-scale test work to refine our existing high-purity flowsheet (see Flinders' News Release June 25, 2015). Our Chinese engineering team has defined a process to upgrade Woxna graphite through standard acid alkali chemical purification techniques to battery grade graphite.

This processing technology is based on the world's only commercially proven purification methods that are utilized in China to supply the current global demand for high purity graphite demand. China is currently the only source for

natural flake graphite processed to a quality suitable for the battery cell manufacturers. This technology has been utilised to produce high purity graphite samples from concentrate produced at the Woxna mine in Sweden.

The Company's marketing has been focused on auto and battery cell manufacturers, with the aim of developing commercial relationships that will enable the Company to permit and construct a high purity graphite plant adjacent to the existing operational concentration facility

A number of auto manufactures in the European Union ("EU") are pursuing the development of electric vehicles more aggressively and the Company believes the Woxna production facility is well positioned to be an integral part of the EU supply chain for battery manufacturing.

Graphene Project

The second initiative is the Swedish Graphene Project, which falls under the EU Graphene Flagship Project, a ten-year, €1 billion (US $1.1 billion) project to research graphene commercialization. Woxna concentrate has now been processed into graphene by 2D Fab AB ("2D Fab"). The test work was completed at bench scale test levels at the 2D Fab facilities in Sweden. The Company's partner in "Swedish Graphene" is 2D Fab, a company spin-off from Mittuniversitetet (Mid Sweden University).

In 2015, Svenskt Grafen ("Swedish Graphene"), a 2-year, SEK 2.4 million (US $0.28 million) project to investigate Woxna's Swedish flake graphite, and its suitability to produce graphene on an industrial scale was selected as one of the new projects supported by SIO Grafen (see Flinders' news release dated September 21, 2015).

The project is investigating Woxna's Swedish flake graphite, and its suitability to produce graphene on an industrial scale. The project is progressing well and it is anticipated that further updates will be provided in the coming months. Woxna, as one of Europe's two graphite mines, and Sweden's only graphite producer, can supply domestically sourced natural flake graphite which provides a clear strategic advantage for Sweden.

Commissioning

The Company has determined that the commissioning of the Woxna plant was completed effective August 1, 2015. Due to current depressed graphite material conditions, no sales of graphite concentrate have been made since completing the commissioning phase of the project.

The Company continues to work with a number of end users to negotiate supply contracts for the Woxna graphite but worldwide graphite pricing and demand are down so sales have been very difficult to achieve. The plant underwent a scheduled summer maintenance shutdown in July 2015, and will not commence meaningful production until market conditions improve. In the resource sector it is the norm to curtail production when commodity prices do not provide a reasonable rate of return. The Company will continue to run the Woxna operation on a "production-ready" basis to minimize costs.

Woxna was chosen as an industry partner within Svenskt Grafen ("Swedish Graphene"), a Swedish-government funded program to research and commercialize the production of graphene from Swedish-sourced graphite. The Swedish Graphene project completes the third link in our strategy to position Woxna as a leading supplier to the current and future graphite and graphene industries.

Restart of Production

In November 2013 the Board of Directors of the Company approved the staged production plan for commencing production of graphite from the Kringelgruvan concession. This staged plan was based on a preliminary economic assessment dated October 11, 2013, (the "PEA") that was superseded by a new technical report on March 24, 2015. (See "Technical Report"). The staged plan spreads the capital cost over four years as sales contracts are established and allows for lower production levels and costs until the sales warrant capacity expansion.

Procurement of equipment (new and used) and design work commenced in late 2013. Site works commenced in earnest in January 2014. The Company purchased floatation cells in January 2014 and, in February 2014, placed orders for a number of short lead time and key items, such as vertical regrind mills and process control hardware. The processing plant equipment refurbishment work was completed in July 2014. The tailings storage facility

refurbishment work was completed in August 2014 and the Company began operating the Woxna plant facility at limited levels. During the initial months of operations, the Company completed progressive process improvements to ensure the plant met design specifications and that the graphite products produced fulfilled customer expectations. During this commissioning period, the quantity of graphite produced was limited to 100's of tonnes a month, and the grade was variable due to the ongoing plant refinements. The Company sold all of the 2014 production in January 2015. The Company conducted mining operations in March and April and has built up a stockpile of graphitic material which can be processed through the plant. A total of 37,100 tonnes were mined with 27,600 tonnes being waste and 9,500 tonnes being graphitic material. The waste to graphitic material ratio was high during this program as the Company just initiated a new open pit which will be the site of future mining operations.

History of Project

The Woxna Project produced flake graphite from 1996 to 2001, when it closed due to depressed graphite prices. The Woxna Project was acquired in August 2011 and since then the Company has been working to bring the property back to the production stage. The Woxna Project comprises four exploitation (mining) concessions located in the vicinity of the town of Edsbyn, northwest of the city of Gavle in Central Sweden. The Woxna Project comprises a partially depleted open pit and associated processing facility on the Kringelgruvan concession which had been in production from 1996 to 2001. The other three concessions remain undeveloped. Graphite is developed in distinct zones in silicified metasedimentary and metavolcanic rocks. This type of mineralisation is particularly suited to discovery by electromagnetic geophysical methods. The Woxna Project area is well placed in terms of infrastructure with access to water and connections to power grid. The site has good roads in place which give good access to European graphite markets as well as surrounding regional facilities and infrastructure.

The Woxna processing facility was refurbished and upgraded with new equipment in the first half of 2014 after which the processing plant commenced operation by feeding stockpiled graphitic material into the plant during July 2014. The plant was operated until the end of 2014 on stockpiled graphitic rock and mining of graphitic rock commenced in Q1 2015. The freshly mined graphitic rock was fed into the Woxna processing facility and operated at normal design capacity producing graphite concentrate inventory. This inventory was stockpiled instead of sold due to declining global flake graphite demand during 2015 that has pushed prices to a four year low. As previously disclosed, given these weakening conditions, the Board of Flinders has chosen to reduce production at Woxna and only supply larger volumes when improved graphite prices return thus conserving working capital.

Technical Report

The Company commissioned Reed Leyton Consulting ("Reed Leyton") to prepare a technical report (the "Technical Report") in accordance with Canadian National Instrument 43-101 ("NI 43-101") for the Kringelgruven graphite deposit ("Kringelgruven"), Gropabo graphite deposit ("Gropabo"), Mattsmyra graphite deposit ("Mattsmyra") and Månsberg graphite deposit ("Månsberg") that forms part of the Company's 100% owned Woxna graphite plant. The Technical Report is dated with an effective date of March 24, 2015 and was prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects. The Qualified Person responsible for the Technical Report is Mr. Geoff Reed, consulting geologist for Reed Leyton.

Mineral Resources

Woxna Graphite AB ("Woxna"), Flinders' 100% owned Swedish subsidiary, owns four mining concessions over graphite deposits (Kringelgruvan, Gropabo, Mattsmyra and Månsberg - the Woxna Project) located along a 40km trend in central Sweden. The partially mined Kringelgruvan deposit lies adjacent to the processing plant, tailings dam and related infrastructure.

Table 1: Total Measured and Indicated Mineral Resources at the Woxna Graphite Project, Sweden. Effective date March 24, 2015

Mining Lease	Classification	Tonnes x 1,000,000 (Mt)	Graphite ("Cg") %
Gropabo	Indicated	1.5	8.8
Mattsmyra	Indicated	3.4	8.4
Kringelgruven*	Measured	1.0	10.7
Kringelgruven*	Indicated	1.8	10.7
TOTAL	**Measured + Indicated**	**7.7**	**9.3**

**Previously reported, refer to Company's press release September 3, 2013 and November 5, 2013 with an effective date of October 11, 2013*

Table 2: Total Inferred Mineral Resources at the Woxna Graphite Project, Sweden. Effective date March 24, 2015

Mining Lease	Classification	Tonnes (Mt)	Cg %
Gropabo	Inferred	0.7	8.7
Mattsmyra	Inferred	1.2	8.4
TOTAL	**Inferred**	**1.9**	**8.5**

Cautionary Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

In addition to the Kringelgruvan, Gropabo, and Mattsmyra, the Månsberg flake graphite deposit contains historic resources. Månsberg will continue to be classified as historic resources.

Readers are encouraged to read the entire Technical Report which is available for download on the Company's website at www.flindersresources.com or under the Company's Profile on SEDAR at www.sedar.com

As a result of the new estimated mineral resources for the Woxna Project, effective March 24, 2015, there is no longer a current PEA for the Woxna Project and the previous PEA released by the Company in 2013 is no longer current or valid as it does not consider these additional mineral resources. The Company cautions that it has no plans to complete a new preliminary economic assessment, a pre-feasibility or feasibility study at this time on the Woxna Project, as a result, there is an increased risk of technical and economic failure for the Woxna Project.

The decision to recommence mining at Woxna was not based on a feasibility study of mineral reserves demonstrating economic and technical viability as the Company is of the view that the establishment of mineral reserves is not necessary. There is increased uncertainty and risk of economic and technical failure associated with such production decisions. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing or other relevant issues.

The Board of Flinders is of the view that the costs of undertaking a feasibility study for a brownfield project of this type and scale is cost prohibitive. Therefore, the Company determined it was the most responsible utilization of financial resources to restart the mine and processing plant to establish itself in the graphite market as quickly as possible to develop credible sales and marketing presence. The Company acknowledges that there is increased uncertainty and risk of economic and technical failure associated with such production decisions not supported by pre-feasibility and feasibility studies that are structured for a large greenfield project. With the cost of this brownfield project, Flinders believes its financial decision to restart the Woxna mine was justified without the contribution from an extensive series of studies.

It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is in operation. It was concluded that the risk of restarting the plant was manageable which is demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost and rapidly integrated into the graphite market. The Company has determined that, effective August 1, 2015, the commissioning of the Woxna plant was completed. The Graphite market is at a four year low and the Woxna plant is currently on a production ready status and can be restarted in a matter of days once viable economics

return to the graphite market. However, due to the ongoing success of the high purity graphite research, and the widely reported anticipated increase in demand for battery grade graphite, the Company has committed to the re-permitting process for expansion at the Woxna site. Re-permitting of the Woxna site will allow for an increased graphite production rate across the site and an expansion of the range of graphite products that can be produced, including high purity materials. Once permitted for high purity graphite production, Woxna will be positioned as a long term and sustainable supplier of high value raw materials to the burgeoning European energy storage market. In comparison to traditional natural flake graphite pricing less than $800 per ton, graphite market analyst Benchmark Minerals indicate that natural flake battery grade spherical graphite products commands prices in the order of US $3,000 to US $,4500 per tonne, depending on specifications. The Company has engaged a consultant to scope the re-permitting process and to work with the relevant consultants and authorities. Further details of the multiplier of the expansion, high purity output, process, timeframes and costs will be announced when all parameters are defined.

It is noteworthy that the Woxna mine and processing facility currently has all environmental, permitting, legal, title, sociopolitical approvals in place and is in operation. It was concluded that the risk of restarting the plant was manageable which is demonstrated in the cost effective manner the facility was refurbished and restarted for a low capital cost and rapidly integrated into the graphite market. The Company has determined that, effective August 1, 2015, the commissioning of the Woxna plant was completed. As previously mentioned the graphite market is at a four year low so the decision was made to operate the plant on a production ready status until the graphite market conditions improve. The Woxna plant remains on a production ready status and can be restarted in a matter of days once viable economics return to the graphite market.

Norra Kärr Project

Norra Kärr lies in south-central Sweden, 15 km northeast of the township of Gränna and 300 km southwest of the capital Stockholm in mixed forestry and farming land. The project is 100% owned by the Company via an exploration licence granted on August 31, 2009.

The mining lease for Norra Kärr, along with three other mining leases held by third parties in Sweden, are presently under reassessment by the Swedish Mines Inspectorate following a recommendation by the Swedish Supreme Administrative Court ("SAC"). The Mines Inspectorate is considering all four mining lease applications to determine any additional information that is required to meet the SAC's new interpretation of the Mining Act. The Company has been advised by Swedish legal counsel that the Norra Kärr Mining Lease remains in force, and is 100% owned by the Company.

The Norra Kärr mining lease is surrounded by an Exploration Licence ("EL") which was first granted to Tasman on August 31, 2009. On August 31, 2015, Tasman applied for a two-year extension of this EL, which was granted by the Swedish Mines Inspectorate. Subsequently, the renewal of the EL was appealed to the Administrative Court in Falun. The Company has now been advised that the appeal was upheld by the Administrative Court, which determined that the Mines Inspectorate was incorrect in granting the renewal to Tasman.

Despite the Court's decision, as the Norra Kärr Mining Lease remains in force, the Swedish Mining Act does not allow for the cancellation of a surrounding EL. The Company continues to seek legal advice to clarify this decision, and will appeal the Administrative Court's decision if required. Very extensive work has been completed by the Company within the EL area, and the Company is therefore of the opinion that all requirements for renewal, as defined by the Swedish Mining Act, have been met.

Norra Kärr is a zirconium (Zr) and heavy REE enriched peralkaline nepheline syenite intrusion which covers 450m x 1,500m in area. The deepest extents of the REE mineralized intrusion exceed 350m. The rock units comprising the Norra Kärr intrusion include mineral phases that are comprised of or associated with REEs, Zr, Nb, Y and Hf.

Mineralogical studies show nearly all of the REE in the deposit is found within the mineral eudialyte. Eudialyte at Norra Kärr is relatively rich in REE's compared to most other similar deposits globally, and also contains a very high proportion of high value heavy REE's. The first phase drill program by Tasman at Norra Kärr commenced in mid-December 2009. A total of 121 exploration holes have now been completed, typically on 50m sections.

Qualified Person

The qualified person for the Company's project, Mr. Blair Way B.S. (Geology) M.B.A., a Fellow of the Australasian Institute of Mining and Metallurgy, the Company's President and CEO, has reviewed and verified the contents of this document.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2016			Fiscal 2015				Fiscal 2014
Three Months Ended	**July 31, 2016 $**	**April 30, 2016 $**	**January 31, 2016 $**	**October 31, 2015 $**	**July 31, 2015 $**	**April 30, 2015 $**	**January 31, 2015 $**	**October 31, 2014 $**
Operations								
Expenses	(454,144)	(460,150)	(593,077)	(632,295)	(691,550)	(740,739)	(789,525)	(855,274)
Other items	19,661	10,467	19,143	16,807	13,728	26,743	8,681	(120,409)
Net loss	(434,483)	(449,683)	(573,934)	(615,488)	(677,822)	(713,996)	(780,844)	(975,683)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Financial Position								
Working capital	1,947,010	2,314,419	2,723,864	3,233,642	3,693,198	4,336,528	5,291,824	6,246,646
Total assets	19,632,405	18,808,738	19,340,291	19,005,386	19,153,275	20,122,699	20,670,066	21,177,698
Total non-current liabilities	(8,272,979)	(7,057,850)	(7,068,777)	(6,151,407)	(5,676,407)	(5,792,906)	(5,602,133)	(5,199,894)

Results of Operations

Three Months Ended July 31, 2016 Compared to Three Months Ended April 30, 2016

During the three months ended July 31, 2016 ("Q3") the Company reported a net loss of $434,483 compared to a net loss of $449,683 for the three months ended April 30, 2016 ("Q2"), for a decrease in loss of $15,200. The decrease in loss was attributed to lower overheads and maintenance costs relating to the Woxna Project in Q3 compared to Q2. The decrease in expenses was partially offset by increases in legal and audit and other costs incurred in Q3 for services rendered with regards to various matters relating to the acquisition of Tasman.

Nine Months Ended July 31, 2016 Compared to Nine Months Ended July 31, 2015

During the nine months ended July 31, 2016 (the "2016 period") the Company reported a net loss of $1,458,100 ($0.03 per share), compared to a net loss of $2,172,662 ($0.05 per share) for the nine months ended July 31, 2015 (the "2015 period"), a decrease in loss of $714,562. The decrease in loss is primarily attributed to:

(i) the general decrease in overall expenses in the 2016 period compared to the 2015 period as the Company was focused on the refurbishment and commencement of operations at the Woxna Graphite plant in the 2015 period; and
(ii) the reimbursement of relocation costs of $64,111 to the President of the Company during the 2015 period.

General and administrative expenses decreased by $714,443, from $2,221,814 during the 2015 period to $1,507,371 during the 2016 period. Specific general and administrative expenses of note during the 2016 period are as follows:

(i) during the 2015 period the Company recognized $17,000 share-based compensation on the vesting of share options;
(ii) incurred consulting fees of $330,119 (2015 - $285,568) of which $199,691 (2015 - $131,007) was paid to consultants for mine advisory services to refine the existing process to upgrade to a high purity spherical graphite. In addition, $69,103 (2015 - $54,160) was paid to consultants in Canada for financial advisory services and $61,325 (2015 - $100,401) was incurred by directors of the Company in their capacity as directors and officers. See also "Related Party Transactions and Balances";

(iii) incurred $149,994 (2015 - $149,994) for management fees charged by the Company's President and CEO. In addition, during the 2015 period the Company reimbursed its President $64,111 for relocation costs incurred. See also "Related Party Transactions and Balances";

(iv) incurred $18,928 (2015 - $37,151) for equipment rentals, $24,350 (2015 - $103,020) for plant maintenance, $41,292 (2015 - $123,536) for fuel, electricity and utilities, and $35,007 (2015 - $113,811) for plant supplies and consumables relating to ongoing maintenance of the Woxna Graphite Plant. These costs were significantly higher during the 2015 period as the Company was focused on the refurbishment and start-up activities of the plant;

(v) incurred salaries, compensation and benefits expense of $436,502 (2015 - $770,282) for staff in the mining office in Sweden. During the 2015 period the Company increased staffing and casual labour hires specifically to facilitate the refurbishment of and commencement of operations at the Woxna Graphite plant;

(vi) during the 2015 period the Company paid $23,800 for investor relations. The arrangement with Albis Capital Corp was mutually terminated effective May 31, 2015;

(vii) legal fees increased by $31,370, from $31,134 in 2015 to $62,504 in 2016. The increase in legal services during the 2016 period was related to services provided relating to the acquisition;

(viii) incurred a total of $45,330 (2015 - $79,810) for accounting and administration services of which $22,600 (2015 - $31,000) was for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, a director of the Company and $22,730 (2015 - $48,810) was for third party accounting services provided in Sweden;

(ix) corporate development expenses were lower during the 2016 period compared to the 2015 period from $41,142 in the 2015 period to $9,596 in the 2016 period. During the 2015 period the Company participated in several market awareness programs;

(x) incurred travel expenses of $63,015 (2015 - $102,396) for ongoing travel by Company personnel to mainly oversee the Company's operations of the Woxna Graphite Mine. Travel activities were reduced during the 2016 period.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the 2016 period the Company reported interest of $17,097, a decrease of $27,472, compared to $44,569 during the 2015 period, reflecting the lower levels of cash held during the 2016 period.

No equity financings were conducted in either the 2016 period or the 2015 period. During the 2016 period the Company issued 145,000 common shares on the exercise of stock options for $14,500.

Property, Plant and Equipment

Cost:	**Vehicles $**	**Equipment and Tools $**	**Building $**	**Manufacturing and Processing Facility $**	**Mineral Property Acquisition and Development Costs $**	**Total $**
Balance - October 31, 2014	122,251	250,117	340,300	7,399,891	6,304,557	14,417,116
Additions	40,882	14,582	3,839	167,987	224,933	452,223
Preproduction costs, net of sales recoveries	-	-	-	-	107,664	107,664
Adjustment to site restoration	-	-	-	-	815,207	815,207
Balance - October 31, 2015	163,133	264,699	344,139	7,567,878	7,452,361	15,792,210
Additions	-	-	-	-	16,401	16,401
Disposal	(81,986)	-	-	-	-	(81,986)
Adjustment to site restoration	-	-	-	-	2,023,435	2,023,435
Balance - July 31, 2016	81,147	264,699	344,139	7,567,878	9,492,197	17,750,060
Accumulated Depreciation:						
Balance - October 31, 2014	(57,864)	(51,003)	-	(59,939)	-	(168,806)
Depreciation	(26,958)	(131,152)	(5,470)	(19,950)	-	(183,530)
Balance - October 31, 2015	(84,822)	(182,155)	(5,470)	(79,889)	-	(352,336)
Depreciation	(14,366)	(18,212)	(16,505)	(15,048)	-	(64,131)
Disposal	59,882	-	-	-	-	59,882
Balance - July 31, 2016	(39,306)	(200,367)	(21,975)	(94,937)	-	(356,585)

Carrying Value:	Vehicles $	Equipment and Tools $	Building $	Manufacturing and Processing Facility $	Mineral Property Acquisition and Development Costs $	Total $
Balance - October 31, 2015	78,311	82,544	338,669	7,487,989	7,452,361	15,439,874
Balance - July 31, 2016	41,841	64,332	322,164	7,472,941	9,492,197	17,393,475

During the 2016 period the Company recorded total additions of $16,401 (2015 - $445,492) to property, plant and equipment. The Company also recorded $nil (2015 - $103,396) for pre-production costs, net of sales recoveries, incurred during the commissioning stage and $2,023,435 (2015 - $379,372) increase to the provision for site restoration for the Kringelgruven concession. See also "Woxna Project - Production Plan".

Financial Condition / Capital Resources

During the 2016 period the Company recorded a net loss of $1,458,100 and, as at July 31, 2016, the Company had an accumulated deficit of $17,751,217 and working capital of $1,947,010. The acquisition of Tasman is expected to provide the Company with additional working capital of approximately $1,500,000. The Company has implemented cost reduction procedures at its Woxna Graphite Mine on a "production-ready" basis to minimize costs. The Company will be reviewing its corporate and personnel structure to reduce costs where possible. The Company has no significant budget allocated for the Norra Kärr Project. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or upgrade the plant to produce value added production. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties cast doubt upon the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the October 31, 2015 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Transactions and Balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the 2016 and 2015 period the following amounts were incurred with respect to the Company's President and CEO (Mr. Blair Way), and the Company's CFO (Mr. Nick DeMare):

	2016 $	2015 $
Management fees - Mr. Way	149,994	149,994
Consulting fees - Mr. DeMare	19,000	35,500
Relocation reimbursement costs - Mr. Way	-	64,111
	168,994	249,605

The Company has a management agreement with Mr. Way which provides that in the event Mr. Way's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at $16,666 per month, is payable. If the termination had occurred on July 31, 2016, the amount payable under the agreement would be $199,992.

(b) *Transactions with other Related Parties*

(i) During the 2016 and 2015 period the following amounts were incurred with respect to non-management directors (Messrs. Michael Hudson, Mark Saxon and Robert Atkinson) of the Company:

	2016 $	2015 $
Consulting fees - Mr. Hudson	10,500	18,000
Consulting fees - Mr. Saxon	10,500	18,000
Consulting fees - Mr. Atkinson	10,500	18,000
	31,500	54,000

As at July 31, 2016, $2,500 (October 31, 2015 - $16,000) remained unpaid.

(ii) During the 2016 period the Company incurred $22,600 (2015 - $31,000) to Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and $3,015 (2015 - $3,015) for rent. As at July 31, 2016, $4,570 (October 31, 2015 - $5,270) remained unpaid.

(iii) During the 2016 period the Company incurred $10,825 (2015 - $10,076) for shared administration costs with Tasman Metals Ltd., and Mawson Resources Limited, public companies with common directors and officers. As at July 31, 2016, $2,900 (October 31, 2015 - $338) remained unpaid.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 28, 2016, there were 46,965,730 issued and outstanding common shares and 1,605,000 share options outstanding at an exercise prices ranging from $0.45 to $0.65 per share.